

CALIFORNIA EMPLOYER

Third Quarter 2004

You can help fight unemployment insurance fraud

Unemployment insurance (UI) fraud is a crime that can drive up your costs for UI as an employer. The Employment Development Department (EDD) is cracking down on individuals who are fraudulently collecting benefits, but there are some important steps that you can take as an employer to fight fraud, protect your UI account, and help control your costs.

● **Check your notices and respond right away.** Carefully review every EDD form you receive, especially the *Notice of Unemployment Insurance Claim Filed* (DE 1101CZ), *Request for Additional Information* (DE 1326ER), and *Notice of Wages Used for Unemployment Insurance Claim* (DE 1545). Check for names and Social Security numbers of individuals who may still be working for you, who never worked for you, or who you believe are not entitled to benefits. Report any discrepancies to EDD immediately.

● **Destroy records properly.** Protect yourself and your employees by properly disposing of old payroll records. California law requires you to properly destroy (i.e., shred, erase, etc.) the personal information in all records under your control. Identity thieves may attempt to obtain personal information to fraudulently collect UI benefits.



● **Verify Social Security numbers.** When hiring new employees, verify their Social Security numbers with the Social Security Administration to ensure that wages are reported properly. Employers can verify up to five numbers by calling 1-800-772-6270. Visit their Web site at www.ssa.gov/employer/ssnv.htm for details.

● **Keep good employment records.** When someone's employment ends with you for any reason, keep detailed records so you can respond to our inquiries.

● **Protect your employees.** Instead of Social Security numbers, use an alternate number to identify employees. Do not openly display or discuss personnel information.

● **Report security violations.** If you believe your personnel records or other personal information has been compromised or stolen, or if you suspect fraud on your employer account, contact EDD right away. When a former employee files for benefits, you should receive notices from us. If you are not receiving the notices, contact us – someone may have changed information so that you would not learn about fraudulent charges.

If you think someone is fraudulently collecting UI benefits, call our toll-free fraud hotline at 1-800-229-6297.

For more information on UI fraud, visit our Web site at www.edd.ca.gov.

Always review your reserve account statement of charges

In October, an annual *Statement of Charges to Reserve Account* (DE 428T) will be mailed to you.



This statement notifies you of the unemployment insurance (UI) benefit charges and credits to

your reserve account during the previous fiscal year (July 1, 2003 through June 30, 2004.)

Charges are itemized and based on the UI benefits paid to your former employees. Because charges to your reserve account may increase your UI contribution rate, it is important to review your statement carefully and respond timely if you do not agree with the charges.

You have 60 days from the mail date to protest any charges that you believe are incorrect. An additional 60 days may be granted for good cause.

For further information, please refer to the *Explanation and Instruction Sheet* (DE 428C) included with the DE 428T, or call us at (916) 653-7795. The DE 428C also is available on our Web site at www.edd.ca.gov/taxrep/de428c.pdf.

Deposit requirements for 2005

The California Personal Income Tax (PIT) deposit threshold will remain at \$500 for 2005.

Employers who meet federal deposit requirements and the state PIT threshold of \$500 must remit both State Disability Insurance (SDI) and PIT withholdings to EDD on the *Payroll Tax Deposit* (DE 88) coupon.

State deposits are generally due at the same time as the federal deposits. The PIT threshold for employers who deposit quarterly remains at \$350.

For more information, please refer to the *California Employer's Guide* (DE 44), visit our Web site at www.edd.ca.gov, or call us at 1-888-745-3886.

Options are available for unpaid tax liabilities —

For employers who are unable to pay their past tax liabilities, there are two options available to address the liability: offer in compromise and settlement. The following will help you understand the differences between these two options.

Offer In Compromise:

- Enables a qualified tax debtor to eliminate an employment tax liability at less than full value.
- The tax liability is final.
- Employer must be inactive (out of business).
- The offer is based on the ability to pay and must be more than EDD could expect to collect through involuntary means within four years of the time the offer is made.
- The law does not allow for cases involving fraud and/or a criminal violation to be compromised.
- For more information, see our *Information Sheet: Offers in Compromise* (DE 631C), which is available online at



www.edd.ca.gov/taxreptaxform.htm#Publications or call (916) 464-2726.

Settlement:

- A compromise on the dollar amount of a tax liability, consistent with the reasonable evaluation of the costs and risks associated with litigation of the issue(s).
- Liability is petitioned (disputed) with the California Unemployment Insurance Appeals Board or before a civil court.
- Employer may be active (in business) or inactive (out of business).
- The offer is based on the risks and costs of litigation and must include the basis for your offer, including the amount and terms.
- In general, cases involving fraud and/or a criminal violation(s) are not eligible for settlement.
- For more information, please refer to our *Information Sheet: Settlement Program* (DE 231SP), which is available online at www.edd.ca.gov/taxrep/taxform.htm#Publications or call (916) 654-7162 or (916) 654-7922.

You are invited to attend a Small Business Fair —

Business owners are invited to attend one of our upcoming Small Business Fairs, which offer informational booths and workshops on federal, state, and local tax and business requirements.

These events are free, but we recommend reservations if you plan to attend a workshop. Contact the fair you will be attending for reservations. For more information on upcoming fairs, visit the State Board of Equalization's Web site at www.boe.ca.gov/sutax/tpsched.htm.

- **San Gabriel**
San Gabriel Valley Hotel
September 10, 8:30 a.m. – 4 p.m.
Call: (626) 480-8226
E-mail: wcovsmbf@boe.ca.gov
- **Orange County**
CSU Fullerton, Titan Student Union
September 17, 8:30 a.m. – 3:30 p.m.
Call: (949) 461-5732
E-mail: octaxday@boe.ca.gov
- **San Fernando Valley/Burbank**
Holiday Inn Burbank
October 28, 8:30 a.m. – 3 p.m.
Call: (818) 901-5690
E-mail: sfvtaxday@boe.ca.gov

Coming soon – file your tax forms via the Internet! —

Beginning in October 2004, you will be able to file several tax forms using our new Internet filing system.

The forms that you will be able to file online are:

- *Quarterly Wage and Withholding Report* (DE 6)
- *Report of New Employee(s)* (DE 34)
- *Report of Independent Contractor(s)* (DE 542)



When you file these forms online, you will be issued a confirmation number verifying that your data was received.

Updates on the implementation of this online filing system will be posted on our Web site at www.edd.ca.gov.

We thank all of the employers and agents who participated in the pilot project for this system and who provided us with valuable feedback on its design.

Payroll checks and bank fees

Are banks charging fees to cash your employees' payroll checks? This may happen when an employee does not have a bank account or an account at the bank on which their payroll check is drawn.

Current law requires employers or their agent to issue payroll checks that are fully negotiable, payable in cash on demand at an established place of business in the state, and cashed without discounting the value of the check. The law also requires employers to place the name and address of their business (unless it is a bank) on the payroll check (Labor Code Section 212).

There are several things you may do to assist your employees. If a bank is charging your employees a fee for cashing their payroll checks, you may try to arrange a fee waiver with the bank for your employees without checking accounts. Or, arrange for free check cashing service at another established place of business—such as a nearby grocery store or credit union—where the payroll checks can be fully negotiated. In the event of the latter, the address of the established place of business should be printed or stamped onto your payroll checks.

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